Providing Social Protection and Livelihood Support during Post-Earthquake Recovery

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Introduction

Providing basic income and employment support is an essential component of the government efforts to rebuild the province of Sichuan from the devastation caused by the earthquake. The primary objective of such policies is to protect the most vulnerable households in the affected communities. These policies can also have benefits in terms of rejuvenating local economic activities by creating purchasing power in affected areas, as well as rebuilding severely damaged basic infrastructure by integrating select reconstruction activities with social protection programs.

This note focuses on two main approaches: cash transfer and public works programs. After the South Asia Earthquake in 2005, Pakistan used a cash transfer program to protect the vulnerable and help regenerate local economies. To illustrate how a public works program can be a flexible instrument for providing short-term income support while at the same time contributing to the recovery of essential public infrastructure, the experience of several countries is introduced. Building on these country experiences, the note discusses key lessons relevant for China.

Cash Transfer Programs

A cash transfer program that is developed in response to a natural disaster offers direct assistance in the form of cash to the target group. It is often designed for a finite period of time until economic activities resume and generate employment opportunities. The key features of cash transfer programs and the experience of the cash grants introduced in Pakistan in 2005 are summarized below.
**Recipients**
Temporary cash support programs can be (i) universal for all disaster-affected areas, (ii) further-targeted geographically depending on the degree of impact, or (iii) targeted at the household level where the capacity to earn a livelihood has been lost. Geographic targeting would be appropriate in areas where the damage is extensive and most households are affected. In areas where the affected population is dispersed, household targeting becomes necessary.

Targeted beneficiaries at the household level include those who are displaced and living in temporary shelters or relief camps, as well as other especially vulnerable households (e.g., those headed by an elderly person or a widow, or where the main income earner has died). Additional criteria for identifying the most vulnerable among those affected should be developed by the authorities and informed by a careful damage and loss assessment.

In Pakistan, cash grants were targeted at the household level. Eligibility criteria were established and a targeting mechanism was adopted as follows.

**Design**
An effective cash transfer program requires the following main design components.

**Eligibility conditions**
The eligibility criteria for a cash transfer program that uses household-level targeting should include all potentially vulnerable categories of the disaster-affected population, be simple, be easily verifiable, and without significant administrative burden to implement. In Pakistan, three criteria defined the eligible households: (i) five or more children, including orphans; (ii) headed by a woman; and, (iii) one or more disabled members.

Once criteria are established, the process for identifying beneficiary households can either be left to communities or administered by local authorities. Since communities are fractured and scattered in the aftermath of a disaster, mobilizing effective community targeting is often difficult. For this reason, the Pakistani authorities decided to select beneficiaries through a well-defined targeting process. A simple targeting form collected information from all households in the affected areas. As information was collected, it was reviewed against the eligibility conditions, and households were selected for the program. A clear grievance process was implemented to ensure that those households who felt wrongly excluded could appeal; local government officials had the responsibility to investigate and resolve the appeals.

**Transfer amount and duration**
Transfer amounts per household should take into account what is needed on average to cover basic necessities. A reference point for estimating such needs is the officially established poverty line. The exact payment duration for cash transfers should be specified.

In Pakistan, a monthly cash grant amount of USD 50 per household was paid to eligible households. It was established based on a calculation of the needs for an
average household size of seven people. A policy decision was made by the government that the payment would be uniform for all beneficiary households and would continue for six months.

**Delivery of benefit payments**

The delivery of payments should ensure that the program serves to alleviate cash constraints of the vulnerable. Beneficiaries should be able to access payments without high transaction costs in terms of dealing with intermediaries and travel-time costs. If identification cards (IDs) are needed to access the benefits, IDs should be provided to those who have either lost or never had one. Options for distributing payments include banks, post offices, and other institutions. The flow of funds should be transparent and auditable.

The Pakistani government opted to make benefit payments through banks and arranged for beneficiaries to open bank accounts for free. However, the accessibility of banks was problematic in remote areas and caused payment delays. In addition, some households (e.g., those headed by older women and widows) were also hard to reach.

**Program costs**

The cost of the program should include: (i) the benefit cost, which requires estimating the number of beneficiaries and (ii) the implementation cost for data collection, monitoring, and general administration. The latter is usually around 10 percent of the program cost.

In Pakistan, a damage and loss assessment of lost livelihoods combined with data from household surveys estimated that about 250,000 households were eligible to be covered at a total cost of USD 85 million over the six-month period.

**Implementation arrangements**

A clearly defined process for implementation is necessary for a successful cash transfer program. Most importantly, a clear process to (i) set policy direction and parameters, including establishing the eligibility criteria and determining the amount, duration, and phasing out of payments; and, (ii) oversee the targeting process and the mechanisms for addressing grievances and appeals.

In the absence of a regular social assistance program prior to the disaster, Pakistan implemented the mechanisms to administer the cash grants. A comprehensive manual specifying the detailed eligibility criteria, rules for validation and appeals, and the accountabilities of different tiers of government was developed before implementation. A complete database of all households that applied for the program was created, which enabled the information to be cross-checked with the national identification system. With such a systematic database, it was easier to extend the program to the most vulnerable households and eventually to transfer them to the regular social safety net programs.

**Phasing out the program**

To avoid dependency on subsidies, a clear and transparent exit strategy needs to be defined prior to initiation
of the program. The exit strategy will help ensure that the program does not deter the beneficiaries from looking for regular employment.

When phasing out the transfer, adopting different approaches for different population groups could be considered. For healthy recipients, the program can move from unconditional to conditional transfers. Conditions can be based on work (e.g., participation in a public works program) or actions that would prepare the beneficiaries for employment opportunities. For the most vulnerable who are incapacitated (e.g., the elderly, widows, orphans, and the disabled), the cash transfer can be delivered through the regular social welfare programs, and if necessary at an enhanced level for a period of time.

PUBLIC WORKS PROGRAM

Public works programs have been important instruments to counter the impact of disasters in developed and developing countries. They typically provide unskilled labor with short-term employment on projects like road construction and maintenance and other basic infrastructure projects. Often funded with budgetary resources, the programs can also be implemented by small-scale private contractors, nongovernmental organizations, Social Investment Funds (SIFs), or Community-Driven Development (CDD) programs.

A public works program offers several appealing features that can help address challenges arising from natural disasters.

- Income transfers can be provided to affected populations and help households meet consumption shortfalls and other immediate needs.

- Much-needed infrastructure in disaster-affected areas can be created or restored. For example, debris removal, repair of community water supply and sanitation schemes, repair or construction of public buildings like community centers, and minor road repairs.

- Specific geographic areas can be easily targeted. The affected communities and poor households can benefit directly from the transfer of income and indirectly from the physical assets that the program creates and/or maintains.

- The labor intensive nature of public works program and the low level of income imply that the program can target the neediest through self-selection and incur limited administrative costs. Overall, the program is flexible, can be easily scaled up, and can mobilize resources quickly.

Public works programs have been widely used in the aftermath of natural disasters and major conflicts. Countries such as Ethiopia, Honduras, India, Indonesia, Kenya, and Madagascar have all implemented similar programs to counter the impact of various shocks. In Indonesia after the 2004 tsunami, some 18,000 people participated in public works programs in approximately 60 villages. It made quick and safe disbursement of assistance possible. Assistance was delivered on a wide-
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spread basis in emergencies and had positive impacts at the individual and community level.

**Design**

To realize the full potential of a public works program during post-disaster recovery, the program design needs to have the following key features, following international best practices:

**Setting the wage level to assist the targeted population**

The wage rate is a key element that determines the distributional outcomes. To target the poor and ensure that they have indeed self-selected, the wage should be set at a level slightly below the prevailing market wage for unskilled manual labor. Setting wages at a low level will also ensure that such temporary work programs do not crowd out the creation of permanent job opportunities. To this latter point, the public works programs in Argentina and India, though not initiated as disaster response programs, provide useful examples. In Argentina the wage rate was set below the minimum wage in 2000: This policy change further expanded the program, which already covered 400,000 people through 16,000 projects. In contrast, in the employment guarantee scheme in the Indian state of Maharashtra, the wage level of the scheme increased substantially when the minimum wage rate was doubled in 1988: This led to a significant drop in the generated number of person-days of employment.

**Determining the content and duration of public works activities**

The type of public works selected should be targeted to disaster-affected regions, be based on the needs of specific communities, and produce infrastructure that is owned and managed by the communities or government. The assets created should be of maximum value to the people in those areas.

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**Determining the number of person-days of employment per household that a public works program should provide on a more regular basis**

The determination should depend on the likelihood of risks, and the degree to which people are insured. These parameters determine how much stabilization impact the program can offer. Having a regular program in place can be of great benefit in times of disaster, as the program can be easily scaled up as needed.

**Choosing the level of labor intensity to make the program cost-effective**

An important determinant of the cost-effectiveness of a public works program is the share of the wage bill relative to the total program cost. Many factors determine the share, particularly the nature of the asset created. To meet the objective of short-term employment relief and to ensure that the program is cost-effective, having a higher share of labor cost in the total program cost is desirable.

It is estimated that for most road construction projects, the cost of labor ranges from 40 to 50 percent of the total costs. In road or drainage maintenance projects, the ratio ranges between 70 and 80 percent. In Argentina, the share of labor costs ranged from 30 to 70 percent for the public works program depending on the type of project. In South Korea, the share of labor costs was close to 70 percent.
Implementation considerations

Although labor-intensive public works programs have the potential to create short-term employment and income support for poor households, several important implementation issues should be considered:

- How are projects selected?
- How widely is self-selection practiced by participants?
- How does the fund flow?
- How well is the program monitored?

Some of the large national or subnational programs tend to be supply driven, implemented by local bodies, but subject to predetermined and centrally devised guidelines. Others, especially the relatively small projects managed under the umbrella of a SIF/CDD program, are demand driven in nature. Communities submit ideas for potential projects to the SIFs, which then screen the ideas for viability after a quick cost–benefit analysis. Local authorities and program managers apply directly to higher-level administrations for funding, and allocations are made based on the size of the subprojects and other indicators considered important for achieving project objectives. Local communities implement the approved projects, often hiring private contractors to administer the work.

After Hurricane Mitch struck Honduras in 1998, the Honduras Social Investment Fund (FHIS) played a pivotal role in responding to requests from both the local and national levels to help rebuild the country’s critical local infrastructure. With operational flexibility afforded by its legal framework and relatively lean structure, the FHIS was able to respond to the crisis immediately. It established 11 regional offices, and its technical experts were dispatched to disaster areas within hours of receiving the damage and loss assessment. They estimated the need to clean up mud and debris and to repair or replace water and sanitation systems, access roads, bridges, health care centers, and schools. Recognizing the need for quick action, the FHIS greatly simplified its standard subproject requirements while maintaining certain safeguard requirements to ensure accountability. Within 100 days, the FHIS approved 2,100 projects with a total value of USD 40 million. Within a year, about 3,400 emergency subprojects were financed. The immediate focus of the FHIS on restoring economic activities and basic social services prevented the disaster from further aggravating poverty. Labor accounted for about 70 percent of cleanup activities and 25–30 percent of the value of most subprojects. The FHIS created about 100,000 person-months of employment in the first three months after Hurricane Mitch.

ADDITIONAL RECOMMENDATIONS

The key design principles and features that have been discussed in this note are important recommendations for China’s policy makers to consider in designing the social protection programs in response to disasters. In addition, the following points should be highlighted:
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Cash transfer programs
Cash versus in-kind assistance: Given the magnitude of the disaster and the need to assist affected and vulnerable households swiftly, developing a quick cash transfer program that gets the needed cash into the hands of the affected population has clear advantages. The indirect effect of creating purchasing power and markets in affected areas was, from the quick spot-check assessments conducted, visible in the case of Pakistan and would be expected to have the same effect in China.

Universality versus targeting: The need to reach a large population in a very short period of time implies that a universal benefit for those in the affected area may be an appropriate measure compared to the adoption of sophisticated targeting mechanisms. However, it is important to recognize that such a universal benefit has to be time-bound and will need to be transitioned to a more targeted approach. For this purpose, specifying a timetable for the short-term support in a very transparent manner is critical.

Exit strategy and integration with existing safety net schemes: The fact that China has preexisting safety net programs (e.g., wubao and dibao) is a huge advantage. The institutional knowledge and capacity is readily available, and adjustments can be made to support the affected individuals and households through the existing instruments. Moving forward, policy makers may need to further differentiate those affected by the earthquake and identify those requiring social assistance. Among this group, it may be necessary to:

- Consider introducing preconditions (e.g., requiring participation in the public works program) for those who have the physical ability to work and assist them in finding productive employment opportunities.
- Assist those eligible for wubao in receiving community- or institution-based care.
- Assess the eligibility of the poor for dibao and extend assistance through the system.

Given the very modest level of protection that the rural wubao and dibao programs offer, it would be justifiable to provide beneficiaries with an enhanced level of benefits for a period of time or provide a lump-sum grant to help them reestablish their basic livelihoods.

Public works programs
Build on existing administrative infrastructure: It seems sensible to build on the public works programs supported by the National Poverty Alleviation Program and the Ministry of Labor and Social Security. This would ensure that the basic program administrative structure is well in place and that key operational guidelines are developed. It also would allow for quick implementation of a public works program to support the next stage of reconstruction.

Design and manage an effective public works program: As discussed earlier, realizing the benefits and limitations of a public works program is important. As short-term income support, key policy parameters need to be designed accordingly. A public works program is not a long-term employment program and cannot be expected to serve as the vehicle for long-term human-capital investment.

Develop community-driven programs: Community-driven development programs are in their early stage of development in China. The State Council leading group on poverty reduction has been working with the World Bank to experiment with this approach. At the same time, there are extensive experiences worldwide of this model as well as rich literature on their impact. It is timely for China to take stock of international and its own experience. China could consider using such participatory approaches in its public works programs to support the post-disaster recovery and reconstruction.

End Note
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